

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other	Local Government Name City of Kalamazoo Metro Transit System	County Kalamazoo
Audit Date 12/31/04	Opinion Date 5/5/05	Date Accountant Report Submitted to State: 6/14/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

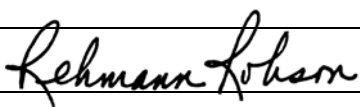
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

CITY OF KALAMAZOO, MICHIGAN

METRO TRANSIT SYSTEM

**Financial Statements
And
Supplementary Information**

**For The Years Ended
December 31, 2004 and 2003**



REHMANN ROBSON

Certified Public Accountants

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1
 FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2004 and 2003	
Statements of Net Assets	2
Statements of Revenue, Expenses and Changes in Fund Net Assets	3
Statements of Cash Flows	4-5
Notes to Financial Statements.....	6-12
 SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2004	
Schedule of Operating Revenue, Non-Operating Revenue and Capital Contributions	13
Schedule of Operating Expenses.....	14
Schedule of Expenses by Contract and General Operations	15
Net Eligible Cost Computations of General Operations	16-17
Schedule of Federal Grant Funding	18
Schedule of State Grant Funding	19
Schedule of Vehicle Miles	20
Schedule of Line-Haul Passenger Data and Vehicle Hours.....	21



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

May 5, 2005

Honorable Mayor and Members of the
City Commission and the
Kalamazoo Transit Authority
Kalamazoo, Michigan

We have audited the accompanying basic financial statements of the *City of Kalamazoo, Michigan, Metro Transit System, a component unit of the City of Kalamazoo*, as of December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Kalamazoo, Michigan, Metro Transit System as of December 31, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The System has not presented Management's Discussion and Analysis for the Metro Transit System as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of the financial statements.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information for the year ended December 31, 2004 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Kalamazoo, Michigan, Metro Transit System. The information on pages 12 through 18, inclusive, has been subjected to the procedures applied in the audit of the 2004 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2004 financial statements taken as a whole. The information on pages 19 and 20 has not been subjected to the procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

FINANCIAL STATEMENTS

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Statements of Net Assets
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Current assets		
Cash and cash equivalents	\$ 503,863	\$ 2,596,801
Receivables:		
Taxes	310,035	276,987
Customers	94,761	234,753
Other	2,478	-
Due from other governments	592,006	1,192,726
Due from the City of Kalamazoo	913,694	33,573
Prepaid expenses	-	9,800
Inventories	229,005	223,823
	<hr/>	<hr/>
Total current assets	2,645,842	4,568,463
Restricted investments	1,145,145	1,141,003
Capital assets, net	<hr/> 9,315,824	<hr/> 9,908,021
Total assets	<hr/> 13,106,811	<hr/> 15,617,487
Current liabilities		
Accounts payable	341,209	1,164,805
Accrued and other liabilities	124,639	72,741
Due to the City of Kalamazoo	190,963	213,739
Deferred revenue (unearned)	176,860	1,005,625
Current portion of tax tribunal payable	6,118	6,118
	<hr/>	<hr/>
Total current liabilities	839,789	2,463,028
Long-term liabilities		
Tax tribunal payable, net of current portion	6,118	12,236
Compensated absences	154,771	234,038
	<hr/>	<hr/>
Total long-term liabilities	160,889	246,274
Total liabilities	<hr/> 1,000,678	<hr/> 2,709,302
Net assets		
Invested in capital assets	9,315,824	9,908,021
Unrestricted	2,790,309	3,000,164
	<hr/>	<hr/>
Total net assets	<u>\$ 12,106,133</u>	<u>\$ 12,908,185</u>

The accompanying notes are an integral part of these financial statements.

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Statements of Revenue, Expenses, and
Changes in Fund Net Assets
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenue		
Passenger fares	\$ 1,179,153	\$ 983,233
Charter service	8,519	2,946
Other operating revenue	<u>16,239</u>	<u>59,161</u>
Total operating revenue	<u>1,203,911</u>	<u>1,045,340</u>
Operating expenses		
Operations	5,911,641	5,474,674
Maintenance	2,167,840	2,105,092
General administration	<u>3,028,576</u>	<u>3,050,124</u>
Total operating expenses	<u>11,108,057</u>	<u>10,629,890</u>
Operating loss	<u>(9,904,146)</u>	<u>(9,584,550)</u>
Non-operating revenue		
Tax levy	1,460,640	1,430,810
Federal grants	922,198	937,084
State grants	3,817,062	3,734,109
Subsidies from other governments	2,295,157	1,881,390
Investment income (loss)	66,186	(9,244)
Gain on sale of property and equipment	<u>1,285</u>	<u>-</u>
Total non-operating revenue	<u>8,562,528</u>	<u>7,974,149</u>
Loss before capital contributions	<u>(1,341,618)</u>	<u>(1,610,401)</u>
Capital contributions		
Federal grants	431,653	1,665,060
State grants	<u>107,913</u>	<u>1,602,744</u>
Total capital contributions	<u>539,566</u>	<u>3,267,804</u>
Change in net assets	(802,052)	1,657,403
Net assets, beginning of year	<u>12,908,185</u>	<u>11,250,782</u>
Net assets, end of year	<u><u>\$ 12,106,133</u></u>	<u><u>\$ 12,908,185</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Cash received from customers	\$ 200,211	\$ 1,066,882
Cash payments to suppliers for goods and services	(7,795,591)	(5,770,197)
Cash payments to employees for services	(3,055,945)	(3,089,567)
	<u>(10,651,325)</u>	<u>(7,792,882)</u>
Cash flows from non-capital financing activities		
Tax levy proceeds	1,460,640	1,430,810
Proceeds from grants used for operations and maintenance	4,739,260	4,671,193
Subsidies from other governments	2,295,157	1,881,390
	<u>8,495,057</u>	<u>7,983,393</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment	(539,565)	(3,236,587)
Proceeds from grants used for capital acquisitions	539,566	3,267,804
Proceeds from the sale of capital assets	1,285	-
	<u>1,286</u>	<u>31,217</u>
Cash flows from investing activities		
Investment income (loss)	66,186	(9,244)
Purchase of investments	(1,145,145)	(1,141,003)
Sale of investments	1,141,003	1,101,729
	<u>62,044</u>	<u>(48,518)</u>
Net cash provided (used) by investing activities	<u>62,044</u>	<u>(48,518)</u>
Net increase (decrease) in cash and cash equivalents	(2,092,938)	173,210
Cash and cash equivalents, beginning of year	<u>2,596,801</u>	<u>2,423,591</u>
Cash and cash equivalents, end of year	<u><u>\$ 503,863</u></u>	<u><u>\$ 2,596,801</u></u>

continued...

The accompanying notes are an integral part of these financial statements.

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Statement of Cash Flows (Concluded)
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (9,904,146)	\$ (9,584,550)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	1,131,762	1,063,542
Changes in assets and liabilities:		
Receivables	104,466	(95,380)
Due from other governments	600,720	(901,748)
Due from City of Kalamazoo	(880,121)	29,625
Prepaid expenses	9,800	(9,800)
Inventories	(5,182)	21,875
Accounts payable	(823,596)	808,612
Accrued and other liabilities	51,898	(45,776)
Due to City of Kalamazoo	(22,776)	(68,542)
Deferred revenue	(828,765)	989,045
Tax tribunal payable	(6,118)	(6,118)
Compensated absences payable	(79,267)	6,333
Net cash used by operating activities	<u><u>\$ (10,651,325)</u></u>	<u><u>\$ (7,792,882)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

Notes To Financial Statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalamazoo, Michigan, Metro Transit System (the “System” or “Authority”), is a discretely presented component unit of the City of Kalamazoo. The City acquired these operations on September 23, 1966 pursuant to the provisions set forth in Section 157A of the City Charter. The Authority manages the operations of the system pursuant to an agreement with the City of Kalamazoo. The System provides public transportation services to users in the City of Kalamazoo and portions of the surrounding area.

The accounting policies of the System conform to generally accepted accounting principles as applicable to enterprise funds of governmental units. A summary of significant accounting policies is as follows:

Basis of Accounting - The accounts of the System are organized on the basis of an enterprise fund. This Fund accounts for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The System is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The System has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the System are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

Notes To Financial Statements

Cash Equivalents - All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Investments - Investments are recorded at fair value.

Inventories - Inventories consist of repair parts, supplies and fuel and are valued at cost, on a first-in, first-out basis, which approximates fair value.

Capital assets are defined by the government as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Property and Equipment - Property and equipment are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such capital assets is recorded on a straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	50
Vehicles	7-10
Office equipment	6-10
Machinery and equipment	3-10

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Property Taxes - The System is permitted by P.A. 55 of the Public Acts of 1963, as amended, to levy property taxes to assist in its operations. Property taxes attach as an enforceable lien on property as of December 1 and are levied on July 1. The City of Kalamazoo bills and collects taxes for the System. During 2004 and 2003, the System levied a voted millage of \$1.0 and \$1.0 per \$1,000 of assessed valuation, respectively.

Compensated Absences - Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that it is estimated will be taken as "termination leave" prior to retirement.

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

Notes To Financial Statements

Deferred Revenue (Unearned) - Certain receipts from other entities reflect revenue applicable to future accounting periods and are recorded as deferred revenue (unearned).

2. DEPOSITS AND INVESTMENTS

The System's deposits and investments are included on the statements of net assets under the following classifications:

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 503,863	\$ 2,596,801
Restricted investments	<u>1,145,145</u>	<u>1,141,003</u>
Total	<u>\$ 1,649,008</u>	<u>\$ 3,737,804</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 400	\$ 400
Bank deposits (checking accounts, savings accounts and certificates of deposit)	1,150,454	1,902,026
Investments in government obligations	<u>498,154</u>	<u>1,835,378</u>
Total	<u>\$ 1,649,008</u>	<u>\$ 3,737,804</u>

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,105,077 and \$219,581 at December 31, 2004 and 2003, respectively. Federal depository insurance is applied to the City of Kalamazoo's deposits as a whole. Therefore, the portion of the System's deposit covered by FDIC is not determinable.

Investments

The System is authorized by Michigan Public Acts 20 of 1943, as amended, to invest surplus monies in U.S. bonds and notes, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles.

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

Notes To Financial Statements

The System's investments consisted solely of U.S. government obligations that were uninsured, unregistered, and held by the counterparty's trust department in the System's name. The fair value of the System's investments at December 31, 2004 and 2003 was \$498,154 and \$1,835,378, respectively.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance 01/01/2004	Increases	Decreases	Balance 12/31/2004
Capital assets not being depreciated:				
Land	\$ 1,866,533	\$ 3,761	\$ -	\$ 1,870,294
Construction in progress	182,192	443,560	(61,353)	564,399
	<u>2,048,725</u>	<u>447,321</u>	<u>(61,353)</u>	<u>2,434,693</u>
Capital assets being depreciated:				
Building and improvements	3,827,076	80,193	-	3,907,269
Land improvements	59,561	-	-	59,561
Machinery and equipment	1,159,744	22,696	-	1,182,440
Furniture and fixtures	19,859	-	-	19,859
Vehicles	10,181,808	50,708	-	10,232,516
Total capital assets being depreciated	<u>15,248,048</u>	<u>153,597</u>	<u>-</u>	<u>15,401,645</u>
Accumulated depreciation:				
Building and improvements	(1,873,910)	(128,294)	-	(2,002,204)
Land improvements	(53,632)	(1,068)	-	(54,700)
Machinery and equipment	(670,512)	(121,347)	-	(791,859)
Furniture and fixtures	(12,908)	(1,986)	-	(14,894)
Vehicles	(4,777,790)	(879,067)	-	(5,656,857)
Total accumulated depreciation	<u>(7,388,752)</u>	<u>(1,131,762)</u>	<u>-</u>	<u>(8,520,514)</u>
Total capital assets being depreciated, net	<u>7,859,296</u>	<u>(978,165)</u>	<u>-</u>	<u>6,881,131</u>
Total capital assets, net	<u>\$ 9,908,021</u>	<u>\$ (530,844)</u>	<u>\$ (61,353)</u>	<u>\$ 9,315,824</u>

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

Notes To Financial Statements

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance 01/01/2003	Restatement	Increases	Decreases	Balance 12/31/2003
Capital assets not being depreciated:					
Land	\$ 541,541	\$ -	\$ 1,324,992	\$ -	\$ 1,866,533
Construction in progress	715,480	-	182,192	(715,480)	182,192
	<u>1,257,021</u>	<u>-</u>	<u>1,507,184</u>	<u>(715,480)</u>	<u>2,048,725</u>
Capital assets being depreciated:					
Building and improvements	3,050,205	(87,424)	864,295	-	3,827,076
Land improvements	60,277	(716)	-	-	59,561
Machinery and equipment	2,097,793	(1,012,318)	74,269	-	1,159,744
Furniture and fixtures	114,149	(94,290)	-	-	19,859
Vehicles	8,682,284	(6,795)	1,506,319	-	10,181,808
Total capital assets being depreciated	<u>14,004,708</u>	<u>(1,201,543)</u>	<u>2,444,883</u>	<u>-</u>	<u>15,248,048</u>
Accumulated depreciation:					
Building and improvements	(1,821,867)	55,654	(107,697)	-	(1,873,910)
Land improvements	(53,083)	537	(1,086)	-	(53,632)
Machinery and equipment	(1,445,702)	908,495	(133,305)	-	(670,512)
Furniture and fixtures	(74,992)	66,645	(4,561)	-	(12,908)
Vehicles	(3,965,511)	4,614	(816,893)	-	(4,777,790)
Total accumulated depreciation	<u>(7,361,155)</u>	<u>1,035,945</u>	<u>(1,063,542)</u>	<u>-</u>	<u>(7,388,752)</u>
Total capital assets being depreciated, net	<u>6,643,553</u>	<u>(165,598)</u>	<u>1,381,341</u>	<u>-</u>	<u>7,859,296</u>
 Total capital assets, net	 <u>\$ 7,900,574</u>	 <u>\$ (165,598)</u>	 <u>\$ 2,888,525</u>	 <u>\$ (715,480)</u>	 <u>\$ 9,908,021</u>

4. RESTRICTED ASSETS

Restricted assets represent investments that have been segregated for equipment and contingency reserves due to Transit Authority Board action. Net assets have not been restricted for these assets since this is an internal only designation.

CITY OF KALAMAZOO, MICHIGAN METRO TRANSIT SYSTEM

Notes To Financial Statements

5. DEFINED BENEFIT PENSION PLAN

The Transit System contributes to the City of Kalamazoo Employees' Retirement System, which is the administrator of a single-employer public employees retirement system that covers all employees of the City. The City of Kalamazoo Employees' Retirement System report has been issued under separate cover.

6. COST ALLOCATIONS

The System has cost allocation plans for all allocated expenses. All allocation plans are approved by the Michigan Department of Transportation and the Bus Transit Division. These expenses include amounts charged to the program for time spent by accounting personnel of the City in maintaining financial accounting records related to the System. The plans have been adhered to in the preparation of the financial statements.

7. RISK MANAGEMENT

The System is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The System participates in the City of Kalamazoo's risk management program for all of these exposures. The City's risk management program is primarily a self-insured program with reinsurance for amounts in excess of aggregate loss funds. The City estimates the liability for unpaid claims (including claims incurred but not reported) and allocates the cost to all appropriate entities and funds. There is no further exposure to the System that would require a liability to be recorded in the financial statements.

8. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the System. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the System expects such amounts, if any, to be immaterial.

**CITY OF KALAMAZOO, MICHIGAN
METRO TRANSIT SYSTEM**

Notes To Financial Statements

9. FEDERAL FUNDS

The federal funds received by the System are reported upon as required by the Single Audit Act Amendments of 1996 and Office of Management and Budget Circular A-133 in the City's Single Audit Act Compliance Report, which is a separately issued report.

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SUPPLEMENTARY INFORMATION

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Schedule of Operating Revenue, Non-Operating Revenue and Capital Contributions
For the Year Ended December 31, 2004
With Comparative Amounts for the Year Ended December 31, 2003

	1/1/04 through 9/30/04	10/1/04 through 12/31/04	Totals	
			2004	2003
Operating revenue				
Passenger fares	\$ 827,935	\$ 351,218	\$ 1,179,153	\$ 983,233
Charter service	5,850	2,669	8,519	2,946
Other operating revenue	4,614	11,625	16,239	59,161
Total operating revenue	\$ 838,399	\$ 365,512	\$ 1,203,911	\$ 1,045,340
Non-operating revenue				
Tax levy	\$ 1,463,909	\$ (3,269)	\$ 1,460,640	\$ 1,430,810
Federal grants:				
Operating grant - Section 5307	703,421	-	703,421	703,421
Capital grants	181,699	37,078	218,777	233,663
State of Michigan grants:				
Formula operating assistance	2,521,892	917,153	3,439,045	3,324,413
Capital grants	45,425	54,958	100,383	50,476
Section 5311	109,901	68,284	178,185	209,675
Inventory reimbursement	-	25,520	25,520	25,520
Other	60,618	13,311	73,929	124,025
Subsidies from other governments:				
City of Parchment	5,645	1,880	7,525	7,167
Comstock Township	36,321	12,107	48,428	46,122
Kalamazoo Township	68,055	22,685	90,740	86,419
Oshtemo Township	12,245	4,080	16,325	15,548
Kalamazoo Valley Community College	11,204	3,734	14,938	14,227
Western Michigan University	1,967,745	38,068	2,005,813	1,605,823
City of Portage	83,541	27,847	111,388	106,084
Investment income (loss)	55,176	11,010	66,186	(9,244)
Gain on sale of fixed assets	1,128	157	1,285	-
Total non-operating revenue	\$ 7,327,925	\$ 1,234,603	\$ 8,562,528	\$ 7,974,149
Capital contributions				
Federal grants	\$ -	\$ 431,653	\$ 431,653	\$ 1,665,060
State grants	-	107,913	107,913	1,602,744
Total capital contributions	\$ -	\$ 539,566	\$ 539,566	\$ 3,267,804

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Schedule of Operating Expenses
For the Year Ended December 31, 2004

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total</u>
Salaries and wages	\$ 3,205,890	\$ 976,814	\$ 405,348	\$ 4,588,052
Fringe benefits	1,011,694	340,351	292,295	1,644,340
Materials and supplies:				
Fuel and lubricants	570,147	3,476	1,460	575,083
Repair parts	-	575,278	-	575,278
Other	44,186	105,276	66,852	216,314
Purchased transportation services	629,756	335	-	630,091
Advertising	-	-	36,639	36,639
Utilities	-	-	213,504	213,504
Insurance expense	389,736	-	64,183	453,919
Cleaning and maintenance	22,877	108,433	80,161	211,471
Accounting and administrative fees	-	-	585,565	585,565
Computer services	-	-	76,233	76,233
Professional and contractual services	2,302	13,644	51,540	67,486
Membership and dues	-	-	22,275	22,275
Small equipment/furnishings	30,964	43,707	-	74,671
Depreciation:				
Grant assets	-	-	1,121,211	1,121,211
Other assets	-	-	10,551	10,551
Miscellaneous	4,089	526	759	5,374
Total operating expenses	<u><u>\$ 5,911,641</u></u>	<u><u>\$ 2,167,840</u></u>	<u><u>\$ 3,028,576</u></u>	<u><u>\$ 11,108,057</u></u>

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Schedule of Expenses by Contract and General Operations
For the Year Ended December 31, 2004

	Capital Grants	Project Zero	Operations and Charter	Total
Salaries and wages	\$ -	\$ 38,309	\$ 4,549,743	\$ 4,588,052
Fringe benefits	-	-	1,644,340	1,644,340
Materials and supplies:				
Fuel and lubricants	-	-	575,083	575,083
Repair parts	199,464	-	375,814	575,278
Other	45,024	-	171,290	216,314
Purchased transportation services	-	-	630,091	630,091
Advertising	-	-	36,639	36,639
Utilities	-	-	213,504	213,504
Insurance expense	-	-	453,919	453,919
Cleaning and maintenance	-	-	211,471	211,471
Accounting and administrative fees	-	-	585,565	585,565
Computer services	-	-	76,233	76,233
Professional and contractual services	-	-	67,486	67,486
Membership and dues	-	-	22,275	22,275
Small equipment/furnishings	-	-	74,671	74,671
Depreciation:				
Grant assets	-	-	1,121,211	1,121,211
Other assets	-	-	10,551	10,551
Miscellaneous	-	-	5,374	5,374
Total operating expenses	\$ 244,488	\$ 38,309	\$ 10,825,260	\$ 11,108,057

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Net Eligible Cost Computations of General Operations
For the Grant Year Ended September 30, 2004

	1/1/2004 through 9/30/2004	10/1/2004 through 12/31/2004	Total
Expenses			
Salaries and wages	\$ 3,294,768	\$ 1,293,284	\$ 4,588,052
Fringe benefits	1,318,774	325,566	1,644,340
Materials and supplies:			
Fuel and lubricants	405,270	169,813	575,083
Repair	442,435	132,843	575,278
Other	135,192	81,122	216,314
Purchased transportation services	462,734	167,357	630,091
Advertising	29,683	6,956	36,639
Utilities	154,840	58,664	213,504
Insurance expense	213,597	240,322	453,919
Cleaning and maintenance	125,582	85,889	211,471
Accounting and administrative fees	390,376	195,189	585,565
Computer services	50,824	25,409	76,233
Professional and contractual services	49,269	18,217	67,486
Membership and dues	22,275	-	22,275
Small equipment/furnishings	31,308	43,363	74,671
Depreciation:	-		
Grant assets	840,908	280,303	1,121,211
Other assets	7,914	2,637	10,551
Miscellaneous	3,294	2,080	5,374
Total expenses	7,979,043	3,129,014	11,108,057
Less ineligible expenses and contra-expenses			
Michigan Public Transit Association dues	560	186	746
American Public Transit Association dues	1,438	479	1,917
Depreciation on fixed assets acquired			
with grant funds	840,908	280,303	1,121,211
Charter service revenue	5,819	172	5,991
Project Zero	36,738	7,571	44,309
Ridesharing Program	23,880	5,740	29,620
Capital grant revenue	227,124	92,037	319,161
Total ineligible expenses and contra-expenses	1,136,467	386,488	1,522,955
Eligible expenses	\$ 6,842,576	\$ 2,742,526	\$ 9,585,102

Continued...

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Net Eligible Cost Computations of
General Operations (Concluded)
For the Grant Year Ended September 30, 2004

Eligible expenses - 10/01/2003 through 12/31/2003	\$ 2,744,015
Eligible expenses - 1/1/2004 through 9/30/2004	<u>6,842,576</u>
Total eligible expenses - grant year ended 9/30/2004	<u><u>\$ 9,586,591</u></u>

Maximum state operating assistance

Greater of:

35.208599129% of eligible urban expenses and

42.236619648% of eligible rural expenses

\$ 3,488,017

2003 operating assistance and bonus

\$ 3,258,982

1997 operating assistance

\$ 1,748,244

Maximum state operating assistance *

\$ 3,488,017

* Reimbursement based on 35.208599129% of eligible urban expenses and 42.236619648% of eligible rural expenses

CITY OF KALAMAZOO, MICHIGAN

**Metro Transit System
Schedule of Federal Grant Funding
For the Year Ended December 31, 2004**

Federal/Pass-through Grantor Program Title/Program Number		Award Amount	(Accrued) Deferred Revenue at 12/31/2003	Federal Receipts	Federal Expenditures	(Accrued) Deferred Revenue at 12/31/2004	Federal Revenue Recognized
U.S. Department of Transportation							
Federal Transit Administration - CFDA Number 20.507 - Capital, Planning, and Operating Assistance:							
Capital 1999	MI-90-X317	\$ 1,604,901	\$ (506)	\$ 18,598	\$ 34,656	\$ (16,564)	\$ 34,656
Capital 2000	MI-90-X333	1,372,293	-	40,009	40,009	-	40,009
Capital 2001	MI-90-X360	695,200	(92)	848	756	-	756
Capital 2002	MI-90-X382	1,117,801	(477)	29,455	35,232	(6,254)	35,232
Capital 2003	MI-90-X404	858,655	(12,896)	89,774	100,266	(23,388)	100,266
Capital 2003	MI-03-X155	992,500	(19,396)	253,196	233,800	-	233,800
Capital 2004	MI-03-X206	3,775,993	(91,186)	91,186	3,009	(3,009)	3,009
Capital 2004	MI-90-X431	503,325	(1,812)	141,564	202,702	(62,950)	202,702
Operating		703,421	-	703,421	703,421	-	703,421
Total federal financial assistance			<u>\$ (126,365)</u>	<u>\$ 1,368,051</u>	<u>\$ 1,353,851</u>	<u>\$ (112,165)</u>	<u>\$ 1,353,851 (1)</u>

(1) Federal revenue is recorded in the Statement of Revenue, Expenses and Changes in Fund Net Assets as follows:

Non-operating revenue	\$ 922,198
Capital contributions	<u>431,653</u>
	<u>\$ 1,353,851</u>

CITY OF KALAMAZOO, MICHIGAN

Metro Transit System Schedule of State Grant Funding For the Year Ended December 31, 2004

State/Pass-through Grantor Program Title/Program Number		Award Amount	(Accrued) Deferred Revenue at 12/31/2003	State Receipts	State Expenditures	(Accrued) Deferred Revenue at 12/31/2004	State Revenue Recognized
Michigan Department of Transportation							
Capital, Planning, and Operating Assistance:							
Capital 1997	G97-0561	\$ -	\$ (10,427)	\$ 68,699	\$ 58,272	\$ -	\$ 58,272
Capital 1998	G98-0826	111,217	-	-	-	-	-
Capital 1999	G99-0723	216,370	(127)	3,046	8,664	(5,745)	8,664
Capital 2000	G00-0369	167,218	-	10,000	10,000	-	10,000
Capital 2000	G00-0455	1,728,000	(725,619)	725,619	-	-	-
Capital 2001	G01-0523	1,808,005	-	46,057	46,057	-	46,057
Capital 2001	G01-0485	124,768	(1,204)	1,395	191	-	191
Capital 2002	G02-0055/Z2	275,300	(279)	7,222	8,653	(1,710)	8,653
Capital 2003	G03-0055/Z4	209,663	(13,721)	31,366	25,031	(7,386)	25,031
State Share	G02-0055/12	941,323	(22,796)	-	752	(23,548)	752
State Share	G02-0055/Z9	125,831	(453)	27,992	50,676	(23,137)	50,676
Operating FY 1999		N/A	16,580	-	-	16,580	-
Operating FY 2000		N/A	-	-	-	-	-
Operating FY 2001		N/A	-	-	-	-	-
Operating FY 2002		N/A	60,506	-	-	60,506	-
Operating FY 2003		N/A	(81,134)	180,909	-	99,775	-
Operating FY 2004		N/A	(148,479)	2,367,152	2,521,892	(303,219)	2,521,892
Operating FY 2005		N/A	-	873,426	917,153	(43,727)	917,153
Section 5311 FY 2003		N/A	(13,500)	13,500	-	-	-
Section 5311 FY 2004		N/A	(47,675)	154,491	127,944	(21,128)	127,944
Section 5311 FY 2004		N/A	-	-	50,241	(50,241)	50,241
Total state financial assistance			<u>\$ (988,328)</u>	<u>\$ 4,510,874</u>	<u>\$ 3,825,526</u>	<u>\$ (302,980)</u>	<u>\$ 3,825,526 (1)</u>

(1) State revenue is recorded in the Statement of Revenue, Expenses and Changes in Fund Net Assets as follows:

Non-operating revenue	\$ 3,817,062
Capital contributions	107,913
Less: inventory reimbursement	(25,520)
Less: other state grants	(73,929)
	<u>\$ 3,825,526</u>

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Schedule of Vehicle Miles
For the Year Ended December 31, 2004
(Unaudited)

	<u>Line-Haul</u>			<u>Other</u>	<u>Demand</u>
	<u>Urban</u>	<u>Rural</u>	<u>Total</u>	<u>Services</u>	<u>Response</u>
First quarter (January - March)	385,419	70,440	455,859	19	2,148
Second quarter (April - June)	337,850	70,689	408,539	719	317
Third quarter (July - September)	330,958	70,577	401,535	15	644
Fourth quarter (October - December)	<u>353,188</u>	<u>711,112</u>	<u>1,064,300</u>	<u>-</u>	<u>763</u>
Total	<u><u>1,407,415</u></u>	<u><u>922,818</u></u>	<u><u>2,330,233</u></u>	<u><u>753</u></u>	<u><u>3,872</u></u>
Cost Distribution of Urban and Rural Miles	<u><u>83.27%</u></u>	<u><u>16.73%</u></u>			

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

ADA Services	Total
8,020	466,046
84,710	494,285
97,955	500,149
<u>100,066</u>	<u>1,165,129</u>
<u><u>290,751</u></u>	<u><u>2,625,609</u></u>

CITY OF KALAMAZOO, MICHIGAN
Metro Transit System
Schedule of Line-Haul Passenger Data and Vehicle Hours
For the Year Ended December 31, 2004
(Unaudited)

	(1) Vehicle Hours	Fixed Route		ADA	
		Urban	Rural	Urban	Rural
First quarter (January - March)	43,808	875,614	78,903	5,969	1,304
Second quarter (April - June)	37,371	539,175	71,924	5,574	1,218
Third quarter (July - September)	39,963	557,778	74,357	5,888	1,287
Fourth quarter (October - December)	43,640	755,278	73,590	6,354	1,389
Total	164,782	2,727,845	298,774	23,785	5,198

(1) Includes Special Services and Line Haul hours

The methodology used for compiling vehicles hours and passenger data has been reviewed and found to be an adequate and reliable method for recording such information.

Handy Van	Other	Total Ridership
439	8	962,237
55	860	618,806
121	-	639,431
131	-	836,742
746	868	3,057,216